

R E M A R K S

Claims 1 - 36, 41, 42, 49 - 56, 60 - 65, 72 - 77 and 80 - 82 are pending.

Claims 1, 36, 41-42, 49, 51- 56, 60 - 65, 72 - 74, 81 and 82 are independent.

Section 103 Rejections

All independent claims and certain dependent claims stand rejected as obvious in light of Katz (U.S. Patent No. 6,055,513) in combination with Spoor (Cellular Business, Feb. 1994, Vol. 11, No. 2, page 2).

The remaining dependent claims (claims 2, 5 - 7, 22 - 25 and 39 - 40) stand rejected in view of Katz, Spoor and other references.

Applicants respectfully traverse the Examiner's Section 103 rejection. There has been no *prima facie* showing that any claim is obvious.

Purported Disclosures of the References

The Examiner admits that Katz "does not disclose [that] the offer is a conditional offer for a subsidy on the item that's the subject of the first transaction, and that the second price charged is less than the total price of the first item."

Office Action, page 5, paragraph 4. While the Examiner has described Katz in a manner that does not parallel the limitations of the pending claims, we acknowledge that Katz is devoid of any subsidies whatsoever.

With respect to the purported disclosure of Spoor, the Examiner asserts on page 5 of the Office Action that:

"Spoor discloses selling customers phones at a discount, to the point of giving phones for free (claim 49), if the customers would sign new cell phones (claims 21, 26-27) services contracts (see page 1), with the service carriers subsidizing the cost of the phone, (see page 2, 1st full paragraph), and service cancellation fees (penalties for claim 31) (see page 2, 4th full paragraph). The provision of crediting the subsidy to the customer's

- account so that the phone becomes a free or almost-free phone is implied in Spoor (claims 8, 50)."

Purported Motivation to Combine

With respect to the purported motivation to combine Katz and Spoor, the Examiner asserts on pages 5 - 6 of the Office Action that:

It would have been obvious to one skilled in the art at the time the invention was made to add Spoor teaching of a subsidized item to Katz's upsell method to achieve sales for the second vendor because "it is always easy to take a chance on something free" (Spoor, page 1) "when the customer has already manifested a desire or interest to purchase." (Katz, col.8 lines 22-26) and "the system may utilize prior purchases as a factor in determining the upsell for offer. Prior purchases may indicate areas of interest, suggesting the offer of further goods within that general area of interest" (Katz, col. 8 lines 22-26)."

This purported "motivation" is a non sequitur, and has nothing to do with prompting one of ordinary skill in the art to combine Katz with Spoor at all, much less combine them in the manner the Examiner proposes.

This "motivation" is merely a statement that in Spoor customers are generally willing acquire an item that is free (no cost). The Examiner does not allege how that this would prompt a modification of Katz, which, as the Examiner admits, has no disclosure of hint of any kind of *subsidy*. Specifically, the Examiner does not allege why one of ordinary skill in the art would modify the upsell of Katz to generally parallel the limitations of any pending claim, such as an indication of an offer for a subsidy from a second vendor.

Neither Katz nor Spoor includes any reduced price conditioned on acceptance of the offer conditioned on acceptance of an offer. Spoor in fact discloses the opposite - the industry wide practice that the discounted cellular telephone was always sold as a *package with* a service plan. According to this practice, a customer could not, for example, purchase a cellular phone without any service plan.

Since the purported "motivation" is merely a melding of two disparate portions of Katz and Spoor, no portion of either reference suggests the desirability of the purported combination.

Accordingly, on its face the motivation is an impermissible hindsight reconstruction based on the Applicant's disclosure.

New Claim 82

New claim **82** has been added to include an embodiment for which patent protection is desired. Claim **82** distinguishes over the references of record in the manner described above with respect to the other independent claims.

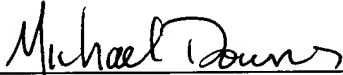
Conclusion

For the foregoing reasons it is submitted that all of the claims are now in condition for allowance and the Examiner's early re-examination and reconsideration are respectfully requested.

Alternatively, if there remains any question regarding the present application or any of the cited references, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact Dean Alderucci at telephone number 203-461-7337 or via electronic mail at Alderucci@WalkerDigital.com.

Respectfully submitted,

December 14, 2005
Date



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